

Message Text

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SUBJECT : VISIT TO CUSTOMS POLICY COUNCIL (CPA)

REF: BRASILIA 4793

1. USIS VOLSPEAKER PROF. JOHN JACKSON (FORMER GENERAL COUNSEL OF STR AND NOW AT UNIVERSITY OF MICHIGAN) CALLED MAY 27 ON DR ANTONIO PASCHOAL, SECRETARIO EXECUTIVO OF CONSELHO DE POLITICA ADUANEIRA AT MINISTERIO DA FAZENDA. PASCHOAL GAVE JACKSON AND CONGEN RIO E/C CHIEF JONES EXTENSIVE OVERVIEW OF CPA'S FUNCTIONS AND ORGANIZATION, NOTING THAT 100-MAN TECHNICAL STAFF IS CONCENTRATED ON TARIFF POLICY DEVELOPMENT AND INTERNATIONAL NEGOTIATIONS. (PASCHOAL HIMSELF WAS DIRECTOR OF LATTER UNIT FROM 1968 TO 1974 WHEN HE BECAME EXECUTIVE SECRETARY -- HIGHEST INTRA-CPA RANK, SINCE SIMONSEN IS PRESIDENT OF COUNCIL.) CPA, HE SAID, HAS SUBSTANTIAL DELEGATED AUTHORITY, BEING EMPOWERED TO MOVE TARIFFS UP AS MUCH AS 30 PERCENT OR DOWN AS MUCH AS 100 PERCENT. IT SEEKS TO ADJUST TARIFFS SPECIFICALLY TO PROVIDE A CALCULATED AMOUNT OF PROTECTION TO BRAZILIAN INFANT INDUSTRIES, AND TECHNICAL STUDIES ARE AIMED AT DETERMINING A "CORRECT" LEVEL, NEITHER KEEPING OUT PRODUCTS NOT ADEQUATELY PRODUCED HERE NOR UNDULY BOOSTING IMPORT PRICES AND INFLATION. HE STRESSED

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THAT CPA REGARDED ITSELF AS AGENCY TO KEEP BRAZIL'S INDUSTRIES AT "WORLD LEVEL," NOT PROTECTING THEM TO A DEGREE THAT WOULD MEAN MISALLOCATION OF RESOURCES OR GENERAL INEFFICIENCY.

2. ASKED ABOUT BRAZIL'S POSITION IN GATT, PASCHOAL MADE EXTENDED PRESENTATION ON "INHERENTLY UNFAIR" STRUCTURE OF CONCESSION MECHANISM FOR A RAPIDLY-GROWING LDC SUCH AS BRAZIL. SINCE

WITHDRAWAL OF CONCESSIONS, REQUIRED WHEN A BRAZILIAN INDUSTRIAL BRANCH EXPANDS INTO NEW PRODUCTS, HAS HIGH COST IN TERMS OF NEGOTIATING SATISFACTORY COMPENSATION WITH VARIOUS TRADING PARTNERS, BRAZIL FINDS ITSELF FRUSTRATED BY LENGTHY AND EXPENSIVE NEGOTIATIONS JUST TO UPDATE ITS INDUSTRIES' NECESSARY PROTECTION. HE POINTED TO THE 1968-74 NEGOTIATIONS IN CONNECTION WITH BRAZIL'S THEN-NEW CUSTOMS CODE; BY THE END OF THE NEGOTIATIONS, BRAZILIAN INDUSTRIAL DEVELOPMENT HAD PROCEEDED FAR ENOUGH TO OBSOLETE MUCH OF THE PAINFULLY-BARTERED ARRANGEMENTS. CONSEQUENTLY, PASCHOAL SAID, BRAZIL HAS DECIDED THAT IT SIMPLY CANNOT AFFORD THE CONCESSIONS IT IS BEING ASKED TO MAKE AT MTN. HE MADE STRONG PLEA FOR S&D TREATMENT FOR LDCS PRECISELY BECAUSE THE GATT COMPENSATION REQUIREMENTS WERE AIMED AT DEVELOPED NATIONS WITH LESS PERVERSIVE CHANGES IN INDUSTRIAL STRUCTURE. ON THE OTHER HAND, HE REGRETTED THAT THE BRAZILIAN PRESS HAD "OVERSIMPLIFIED" THE GOB'S GENEVA POSITION INTO AN OUTRIGHT REFUSAL TO MAKE MTN CONCESSIONS. (COMMENT: JONES HAS UNDERSTOOD THAT THE BRAZILIAN DEL HAD INFORMED USMTN THAT GOB POSITION WAS PRECISELY A REJECTION OF ANY CONCESSIONS, SO PASCHOAL'S CLAIM THAT THIS IS "OVERSIMPLIFICATION" IS PERHAPS OF INTEREST.)

3. IN DESCRIBING THE CPA'S AUTHORITY, PASCHOAL ALSO SAID THAT IT WAS EMPOWERED TO SET "REFERENCE PRICES" FOR IMPORTS. HE CONTRASTED THE BRAZILIAN MECHANISM TO THE EC'S REFERENCE PRICE SYSTEM WHICH HAS BEEN STRONGLY CRITICIZED IN GATT. HE SAID THE EC SYSTEM WAS OBVIOUSLY PROTECTIONIST IN ITS USE OF "INTERNAL" PRICE BASES, BUT THAT BRAZILIAN PRICES WERE CAREFULLY PEGGED TO WORLD MARKETS ON WEIGHTED BASIS. HAVING EARLIER LIMITED OFFICIAL USE

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ACKNOWLEDGED PROTECTIONIST AIMS OF GOB TARIFF POLICY, PASCHOAL WAS CAREFUL TO POINT OUT THAT ITS REFERENCE-PRICE MECHANISM WAS ONLY AIMED AT PROPER INVOICING AND "CORRECT" COMPETITION. JACKSON SAID IT SOUNDED LIKE A CROSS BETWEEN ANTI-DUMPING AND COUNTERVAILING -- A DESCRIPTION WITH WHICH PASCHOAL DID NOT DISAGREE. AS WITH COUNTERVAILING, REFERENCE PRICES ONLY ATTEMPT TO "PUT BACK WHAT WAS ARTIFICIALLY REDUCED," WITH CPA ORDERING COLLECTION OF AN AMOUNT BETWEEN AN ARTIFICIALLY-LOW PRICE ON A GIVEN IMPORT AND THE REFERENCE PRICE, AND THEN DUTY ASSESSED AS THOUGH THE REFERENCE PRICE WERE THE ACTUAL PRICE. (COMMENT: AFTER LEAVING CPA, JACKSON SAID THAT, JURIDICALLY, THERE APPEARED TO BE NO DIFFERENCE BETWEEN THE EC APPROACH AND THE BRAZILIAN ONE. HE WAS INTERESTED IN THE LATTER, SINCE BRAZIL HAS NOT BEEN CHALLENGED ON IT BECAUSE OF GATT'S PREOCCUPATION WITH OTHER NTB'S.)

SIMMONS

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